Growth Strategies 2024-26 Medium-term Management Plan Update

Aichi Steel was established to produce the specialty steel necessary to achieve the vision of Kiichiro Toyoda, the founder of Toyota Motor Corporation, of "delivering high-quality, low-cost automobiles to many customers." We have inherited this founding spirit and turned it into a modern mission to solve social issues through materials, under the slogan "A great society comes from great materials."

We announced our Medium-term Management Plan in May 2024, followed by an updated version with more specific growth and financial strategies in February 2025, based on changes in the market environment and customer needs. As "the most environmentally-friendly steelmaker," which we have adopted as a slogan, we will accelerate our efforts to create value toward achieving our Vision 2030 and realizing a sustainable society.

Founding Spirit **"Great cars are made with great steel."**

Established from the ground up by Kiichiro Toyoda to manufacture specialty steel (electric furnaces), essential for domestic production and mass manufacturing of automobiles.

Prototype plant from our founding period, located within Kariya Plant


Kiichiro Toyoda

Inheriting & Developing

MISSION **"A great society comes from great materials."**

Leveraging technology that has contributed to the development of automobiles, we provide materials that help solve social issues not only in the automotive field but broadly across society.

Contributing to Society as "the Most Environmentally-Friendly Steelmaker"

Environmental awareness

To leverage our strengths and develop growth strategies, we will remain aware of the rapidly changing business environment and provide value to our customers and society.

Keyword	Outline	What we must do
Diversified needs in automobiles	As the spread of EVs accelerates, there is an urgent need to develop and produce steel materials optimized for EV structure and performance.	· Strengthen R&D of high-performance steel materials · Enhance product lineup for next-generation mobility
Green products* *Products designed and manufactured to minimize environmental impact	We are now in an era where low CO_2 emissions, as a competitive factor beyond price, directly impact corporate reputation, making environmental performance critical to competitiveness	· Green steel products · Green forged products · Develop and produce products that help customer CO_2 reduction
Circular economy	As an approach that aims to create a sustainable society through the efficient use of limited resources, the circular economy is placing greater expectations on companies.	· Evolve resource circulation-based steelmaking processes · Further reduce environmental burden
Global South	Demand for high-performance steel materials such as specialty steel is increasing in the Global South, including India, Southeast Asia, Latin America, and Africa, as infrastructure and industry continue to grow.	· Develop and establish business that can adapt to changes in demand regions
Sustainable society	There is a need to help solve a wide range of social issues, including environmental problems such as global warming, and labor shortages due to Japan's declining birthrate and aging population.	· Address aging civil infrastructure · Tackle food supply issues using iron · Address aging society through smart technology

Main changes in the Medium-term Plan update

In our Medium-term Management Plan update announced in February 2025, we set new management targets of achieving ROE of at least 8% and PBR of 1x by FY2030. Our operating profit target has been revised upward from 20 billion yen to 28 billion yen, while we are now aiming for net sales of at least 500 billion yen.

To achieve these targets, we will improve the profit margins of our core steel and forged products while accelerating sales growth in the stainless steel and smart fields, thereby promoting diversification of our business portfolio and reinforcing our growth base. We are also aiming for sustainable growth in corporate value by further strengthening our competitiveness through capital investment and technological development.

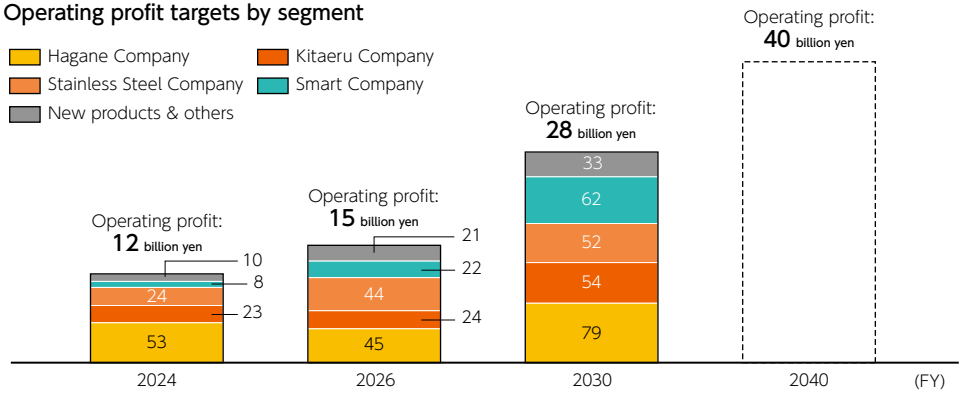
Targets of the 24-26 Medium-term Management Plan and new targets established this time

	FY2024	Current Medium-term Management Plan (FY2024-26)	Newly established	
ROE	3.2%	min. 4%	min. 8%	N/A
Net sales	299.2 billion yen	340 billion yen	400 billion yen 30V (340 billion yen)	500 billion yen
Operating profit	12 billion yen	15 billion yen	28 billion yen 30V (20 billion yen) revised upward	40 billion yen
Equity ratio	58%	50%–55%	Approx. 50%	N/A

2024 2026 2030 2040

The final year of the current Medium-term Plan (FY2026) is a milestone toward the realization of our FY2030 target (Vision 2030).

Operating profit targets by segment



Basic Policy

The three core growth strategies as basic policy are “contributing to multi-pathways,” “responding to changes in global demand,” and “providing solutions to social issues.”

First, in line with Toyota Motor Corporation’s all-directional strategy, we will introduce next-generation steelmaking processes and build a high-mix, low-volume production system. In this way, we will provide new electrification products and high-quality, low-priced steel materials and forged products via optimized forging facilities, contributing to carbon neutrality.

In addition, in our core businesses of steel and forging, we will strengthen our operations in the Global South, particularly in India, to establish ourselves as a global supplier that can adapt flexibly to changes in demand locations.

Moreover, we will actively introduce new technologies and products in the stainless steel and smart fields to address social issues, strengthening our management base through DX and logistics reforms as we pursue a sustainable society and greater corporate value.

Three Core Basic Policies

Item	Strategic Direction	Business Segment: Steel	Forging	Stainless steel	Smart
01 Contributing to multi-pathways	**Produce high-quality, low-cost steel materials and forged products and further contribute to CN** ■Next-generation steelmaking process · High-mix low-volume production · New electrification products ■Optimization of forging facilities	●	●	●	●
02 Responding to changes in global demand	**Develop operations in Global South**	●	●	–	–
03 Providing solutions to social issues	**Actively introduce new technologies and products**	–	–	●	●

01 Contributing to multi-pathways

Response / contribution / growth with Toyota Group's multi-pathway strategy

As the global trend toward CN (carbon neutrality) accelerates, there is no single right answer for decarbonization, but rather a variety of needs depending on the region and application. We align with Toyota Motor Corporation's "multi-pathway strategy" of flexibly deploying not only BEVs, but also HEVs, PHEVs, hydrogen engines, and other diverse technologies, and will drive our growth by fulfilling our role as both a Toyota Group member and a materials manufacturer.

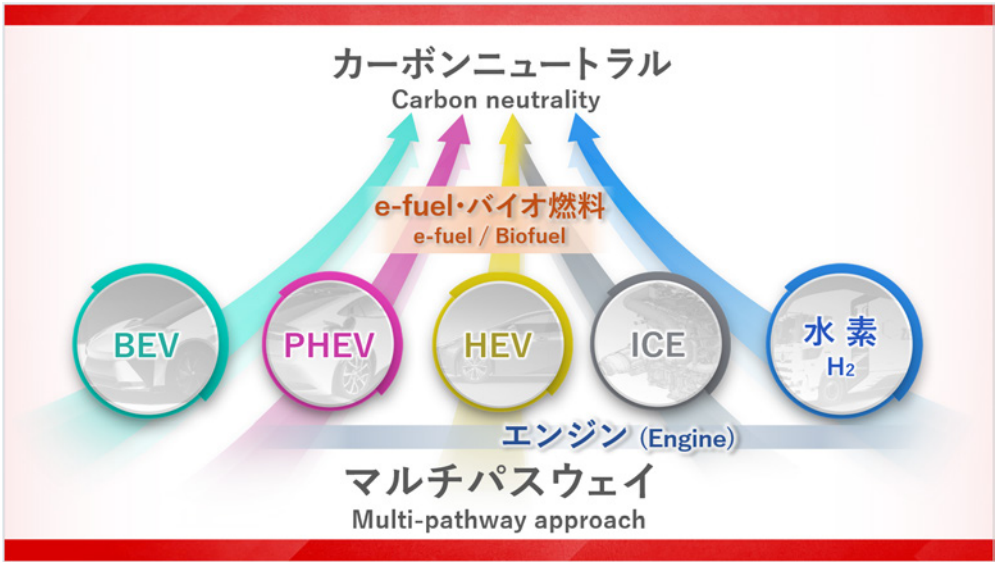


Photo courtesy of Toyota Motor Corporation

Electric vehicle expansion

- **Steel materials and forged products for EVs**
  - · Compact, lightweight, low distortion, high strength steel
  - · Next generation e-Axle components
  - · Lead frames for power cards
  - · Next generation battery materials

Continued engine production

- **Size and weight reduction**
- **Quality and cost optimization of existing products**
- **Timely response to model and production site consolidation**

  Ex: Transfer of forged products, Toyota South America → North America (January 2025)

Hydrogen vehicle support

- **Stainless steel for high-pressure hydrogen**

Initiatives

– Strengthening our position as a resource circulation-based company

Until now, we have played a role as a resource circulation-based company, manufacturing mainly automobile-related products using steel scrap generated within the Toyota Group as a raw material. In the future, by advancing our steelmaking process and upgrading our facilities, we will adopt new technologies and manufacture steel materials and forged products that meet diverse needs. This will enable us to offer customers the added value of green steel materials and green forged products that combine reduced environmental impact with improved quality, thereby contributing to building a sustainable society. Through initiatives that integrate resource circulation and technological innovation, we will keep pursuing more environmentally friendly ways of manufacturing.

Contribution

Strengthening our position as a resource circulation-based company within the Toyota Group

Automobiles/Parts

[CE] Steel scrap (Vehicle scrapping/manufacture)

Value delivery to group companies and resource circulation through collaboration

[Added value improvement]
Green steel materials
Green forged products

Raw material (Steel scrap)

Securing competitive regional iron supply

- Toyota Plant sourced
- Group/Kyohokai sourced
- Cooperation from Toyota Tsusho
- Cooperation from Aichi Cooperation Association

Forging (Molding)

Review for equipment optimization

- Addressing EV needs Quality/functionality/process expansion
- Better quality, lower cost existing parts + green forged products

Steel (Steelmaking - Rolling)

Building next-generation steelmaking processes

- Quality and functionality that address EV needs
- 30% CO_2 emission reduction
- Securing QCD competitiveness
- High-mix low-volume production, etc.

Next-generation steelmaking process

We will conduct a phased upgrade of our steelmaking facilities to support our multi-pathway strategy. In pursuit of world-class standards in circular economy (CE) and carbon neutrality (CN), we are carrying out major capital investments, including the introduction of a next-generation large electric furnace line, a low-distortion BT/CC line, and extensive plant layout reforms.

By 2040, all of these facilities are expected to be completed, enabling the production of new steel grades for electric vehicles and environmentally friendly green steel. By doing so, we will contribute to the realization of a sustainable society and provide a product lineup that meets the diverse needs of our customers, thereby driving further value creation.

This capital investment is not merely an expansion of production capacity, but a step toward achieving both mass production and high value-added manufacturing. By introducing highly efficient large-scale equipment, we will build a system that can supply larger volumes of high-quality steel products more stably than ever before, significantly improving our competitiveness in QCD (quality, cost, and delivery).

Next-generation steelmaking process development plan

	Aim	Annual investment & benefit amounts	2025	2030	2035	2040
STEP 1 New large electric furnace line	High strength steel for EVs ● Overwhelming CE/CN	45billion yen・ 4billion yen		2032 Operation starts →		
STEP 2 Low distortion BT/CC line	Low-distortion steel for EVs ● High-mix low-volume production	20billion yen・ 2billion yen			2036 Operation starts →	
STEP 3 Plant layout reform	Increased competitiveness ● Improved internal and external logistics ● Further productivity improvement	20billion yen・ 2billion yen				2040 Completed

New parts for EVs and green forged products

Our strength lies in our integrated forging with steel making processes, which handles everything from steel materials to forged products in-house. Our material development expertise enables us to eliminate processes, achieving highly efficient manufacturing. Eliminating or consolidating processes has achieved results in reducing CO_2 emissions, securing us a strong technological advantage over our competitors. Going forward, we will refine this technological capability and work toward establishing manufacturing methods and systems for green forged products with a lower environmental impact. In doing so, we will offer customers added value in terms of both environmental value and product performance, further contributing to the achievement of sustainable manufacturing.

Forged parts and strategies/tactics

Target power source	Component Group	Strategy & Tactics	
ICE HEV PHEV	Crank shafts 	Support for continued engine production (Partial improvement)	Achieve green forged products by integrating forging with steelmaking
ICE HEV PHEV BEV	Diff rings/Drive pins/Large gears 	Support for expansion of EVs (Partial new installation)	Achieve green manufacturing through low-energy processes and rough-to-machining integration*
BEV	OP shafts/MO shafts 		Contribute to one-stop procurement through rough-to-machining integration and complete parts production
ICE	Rear shafts/Arms/Propellers 	Continuation of stable supply (Partial upgrade of aging equipment)	Meet demand for FWD vehicles while updating aging facilities
ICE etc.	Small gears/CVT shafts 	Carve-out (consolidation)	Retain and pass on technology in-house, while considering outsourcing

Rough-to-machining integration: All processes, from rough forming to cutting/machining, are conducted in-house

02 Responding to changes in global demand

Global South expansion

Until now, Aichi Steel has been supplying products to meet the demands of the automotive industry while working closely alongside the unit plants of Toyota Motor Corporation, our largest customer. In recent years, however, global demand has been changing, with automotive needs particularly in the Global South growing rapidly. In light of this trend, we have steadily developed our business base in India in the steel materials field through investments such as in Vardhman Special Steels. Going forward, we aim to expand into India in the forging field as well, and by rolling out the resource circulation-based manufacturing scheme developed in Japan to the local market, we will achieve both lower environmental impact and stable supply. Leveraging our strength in flexibly addressing the needs of each region, we will drive sustainable growth.

Initiatives

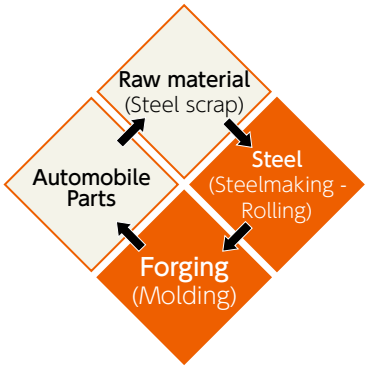
Establish an iron resource circulation scheme like in Japan

– Steel materials (Steelmaking - Rolling)

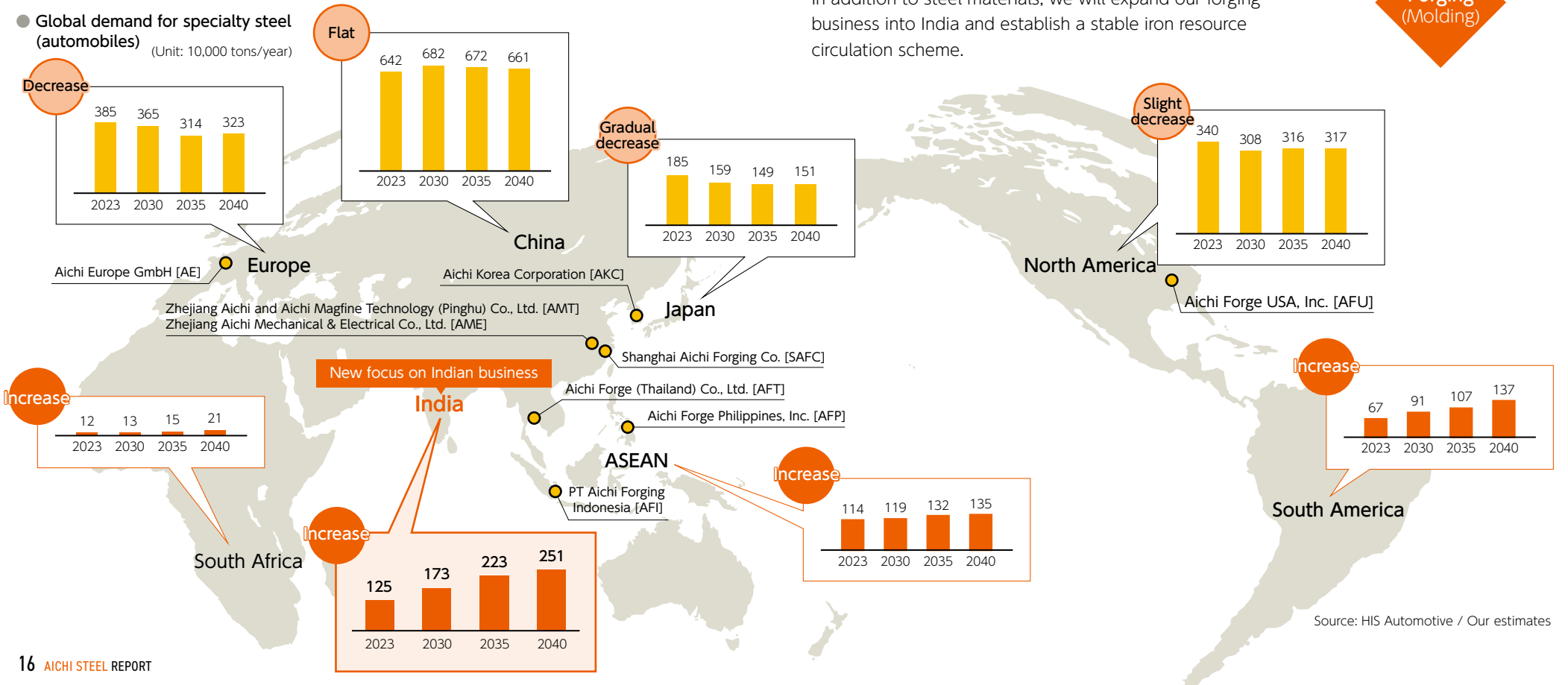
We made an additional investment in Vardhman Special Steels, making it an equity-method affiliate. This has further strengthened our partnership and enabled us to develop a system for the timely supply of high-quality, low-cost steel materials.

– Forging (Molding)

In addition to steel materials, we will expand our forging business into India and establish a stable iron resource circulation scheme.



● Global demand for specialty steel (automobiles) (Unit: 10,000 tons/year)



Source: HIS Automotive / Our estimates

03 Providing solutions to social issues

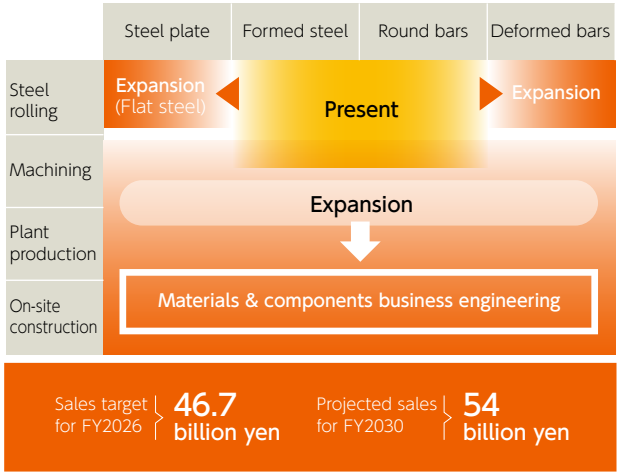
Leveraging technologies that have contributed to automobile development, we will achieve further growth by providing materials that can help solve a wide range of social issues in the non-automotive field as well.
Particularly in the smart field, we expect to triple our sales by 2030, including electrification initiatives, as we work toward achieving the goals of our updated Medium-term Management Plan.

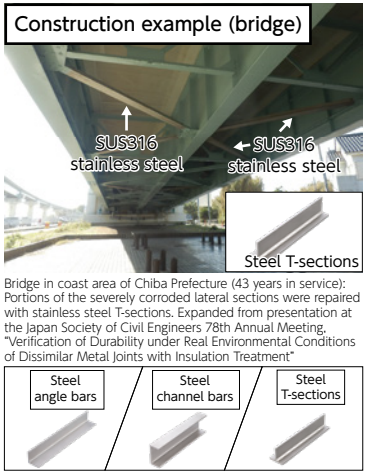
Stainless steel field

Japan's civil engineering infrastructure, such as bridges, roads, and tunnels, was developed intensively during the high economic growth era, but now, more than 50 years since its construction, it is starting to deteriorate. Thanks to its superior durability, stainless steel helps extend the service life of civil infrastructure and addresses problems such as inadequate maintenance due to manpower shortages and budget constraints. By meeting these needs, we will grow our market share.

Initiatives

● Expanding market share in formed steel and other products
Building on our current No. 1 domestic market share in formed steel and No. 2 share in round bars, we will expand our share in steel plates (flat steel) and deformed bars by developing new markets and improving quality.
● Materials and parts business expansion
We will contribute to QCD by providing integrated services from steel materials to engineering. By expanding our business domain to include materials and parts, we will provide high value-added products and help to solve social issues.





Bridge in coast area of Chiba Prefecture (43 years in service): Portions of the severely corroded lateral sections were repaired with stainless steel T-sections. Expanded from presentation at the Japan Society of Civil Engineers 78th Annual Meeting, "Verification of Durability under Real Environmental Conditions of Dissimilar Metal Joints with Insulation Treatment"

Smart field

Society faces numerous challenges, from declining birthrates and aging populations to food security concerns. Across our five broad business areas of electronic components, magnets, sensors and metal fibers, dental materials, and iron fertilizers, we are contributing to a smart society, applying our technological expertise to address needs in both the mobility field, which is central to the Toyota Group, and the broader society field.

Initiatives

● Mobility Field
In response to rising demand for electronic components, magnetic powder, and magnets driven by vehicle electrification, we will accelerate business growth and expand sales.
● Society Field
We will realize a sustainable society through contributions to autonomous driving and solving food security issues via iron supply materials.